



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BROWN COUNTY DISTRICT BOARD OF HEALTH BROWN COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2012 and 2011
Fiscal Years Audited Under GAGAS: 2012 and 2011



Dave Yost • Auditor of State

District Board
Brown County District Board of Health
826 Mt. Orab Pike
Georgetown, Ohio 4515

We have reviewed the *Independent Auditor's Report* of the Brown County District Board of Health, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brown County District Board of Health is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 10, 2013

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Brown County District Board of Health
Brown County, Ohio
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For the Fiscal Years Ended December 31, 2012 and 2011

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Independent Auditor's Report

Brown County District Board of Health
Brown County
826 Mt. Orab Pike
Georgetown, Ohio 45121

To the District Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Brown County District Board of Health, Brown County, (the District), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Brown County District Board of Health, Brown County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As described in Note 7 to the financial statements, during 2011, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
May 15, 2013

Brown County District Board of Health
Brown County
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Intergovernmental	\$ 157,011	\$ 91,728	\$ 248,739
Licenses, Permits, and Fees	93,574	139,984	233,558
Charges for Services	321,565	20,666	342,231
Miscellaneous	124	1,180	1,304
<i>Total Cash Receipts</i>	<u>572,274</u>	<u>253,558</u>	<u>825,832</u>
Cash Disbursements			
Current:			
Health:			-
Salaries	171,737	157,254	328,991
Fringe Benefits	101,487	24,931	126,418
Supplies	25,985	21,195	47,180
Remittances to State	66,603	11,025	77,628
Equipment	2,228	800	3,028
Contracts - Services	52,564	20,573	73,137
Travel	5,768	9,321	15,089
Other	36,176	1,766	37,942
<i>Total Cash Disbursements</i>	<u>462,548</u>	<u>246,865</u>	<u>709,413</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>109,726</u>	<u>6,693</u>	<u>116,419</u>
Other Financing Receipts/(Disbursements)			
Advances In	10,000	10,000	20,000
Advances Out	(10,000)	(10,000)	(20,000)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	109,726	6,693	116,419
<i>Fund Cash Balances, January 1</i>	<u>318,227</u>	<u>136,371</u>	<u>454,598</u>
Fund Cash Balances, December 31			
Committed	32,044	-	32,044
Restricted	-	143,064	143,064
Assigned	18,220	-	18,220
Unassigned (Deficit)	377,689	-	377,689
<i>Fund Cash Balances, December 31</i>	<u>\$ 427,953</u>	<u>\$ 143,064</u>	<u>\$ 571,017</u>

See accompanying notes to the financial statements.

Brown County District Board of Health
Brown County
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances
Governmental Funds
For the Year Ended December 31, 2011

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Intergovernmental	\$ 111,745	\$ 138,065	\$ 249,810
Licenses, Permits, and Fees	93,325	140,461	233,786
Charges for Services	282,515	7,423	289,938
Miscellaneous	463	2,100	2,563
<i>Total Cash Receipts</i>	<u>488,048</u>	<u>288,049</u>	<u>776,097</u>
Cash Disbursements			
Current:			
Health:			-
Salaries	167,146	134,930	302,076
Fringe Benefits	82,647	23,340	105,987
Supplies	19,197	35,845	55,042
Remittances to State	64,423	11,563	75,986
Equipment	0	4,769	4,769
Contracts - Services	27,478	31,502	58,980
Travel	4,214	8,274	12,488
Other	42,012	9,566	51,578
<i>Total Cash Disbursements</i>	<u>407,117</u>	<u>259,789</u>	<u>666,906</u>
<i>Excess of Cash Receipts Over /(Under) Cash Disbursements</i>	<u>80,931</u>	<u>28,260</u>	<u>109,191</u>
Other Financing Receipts/(Disbursements)			
Advances In	32,288	10,000	42,288
Advances Out	(10,000)	(32,288)	(42,288)
<i>Total Other Financing Receipts/(Disbursements)</i>	<u>22,288</u>	<u>(22,288)</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	103,219	5,972	109,191
<i>Fund Cash Balances, January 1 - Restated</i>	<u>215,008</u>	<u>130,399</u>	<u>345,407</u>
Fund Cash Balances, December 31			
Committed	7,044	-	7,044
Restricted	-	136,371	136,371
Assigned	19,918	-	19,918
Unassigned (Deficit)	291,265	-	291,265
<i>Fund Cash Balances, December 31</i>	<u>\$ 318,227</u>	<u>\$ 136,371</u>	<u>\$ 454,598</u>

See accompanying notes to the financial statements.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Brown County District Board of Health, Brown County, (the District) as a body corporate and politic. A five-member Board and a Health Commissioner govern the District. The District's services include communicable disease investigations, immunization clinics, inspections, public health nursing services and issues health-related and environmental licenses and permits. The Brown County Auditor serves as fiscal agent for the District and is responsible for fiscal control of the resources.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

As required by the Ohio Revised Code, the Brown County Treasurer is custodian for the District's deposits. The County's deposit and investment pool holds the District's assets, valued at the Treasurer's reported carrying amount.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Food Service Fund – This fund receives receipts for licenses and inspections of food service operations.

Public Health Infrastructure (PHI) Fund - This fund receives grant funds from the state to provide for the establishment of public health preparedness infrastructure to protect the county for disease outbreaks, bioterrorism and other health related emergencies.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (continued)

Sewage Fund - This fund receives receipts for inspection and permits for household sewage disposal systems.

E. Budgetary Process

The Ohio Revised Code requires the District to budget each fund annually (except certain agency funds).

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The District Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

I. Property, Plant and Equipment

The District records disbursements for acquisition of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$448,785	\$582,274	\$133,489
Special Revenue	242,035	263,558	21,523
Total	\$690,820	\$845,832	\$155,012

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

2. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$663,785	\$490,768	\$173,017
Special Revenue	283,624	259,708	23,916
Total	<u>\$947,409</u>	<u>\$750,476</u>	<u>\$196,933</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$484,000	\$520,336	\$36,336
Special Revenue	287,307	298,049	10,742
Total	<u>\$771,307</u>	<u>\$818,385</u>	<u>\$47,078</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$494,624	\$437,035	\$57,589
Special Revenue	324,750	292,746	32,004
Total	<u>\$819,374</u>	<u>\$729,781</u>	<u>\$89,593</u>

3. INTERGOVERNMENTAL FUNDING

The County apportions the excess of the District's appropriations over other estimated receipts among the townships and municipalities composing the District, based on their taxable property valuations. The County withholds the apportioned excess from property tax settlements and distributes it to the District. The financial statements present these amounts as intergovernmental receipts.

Beginning in 2010, the County Commissioners began serving as a special taxing authority for a special levy outside the ten-mill limitation to provide the District with sufficient funds for health programs. The levy generated \$130,304 and \$80,300 in 2012 and 2011, respectively. The financial statements present these amounts as intergovernmental receipts.

4. RETIREMENT SYSTEMS

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2012.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

5. RISK MANAGEMENT

The District falls under the property and liability coverage of the Brown County Commissioners through the County Risk Sharing Authority (CORSA). The District pays their portion of the insurance to the Brown County Commissioners.

The District, through the Brown County Commissioners, also provides health insurance coverage to full time employees through a private carrier.

6. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented

Fund Balances	General	Special Revenue Funds	Total Governmental Funds
12/31/2011			
Restricted for			
Food Service	\$0	\$69,340	\$69,340
Home Parks	0	29,987	29,987
Marina	0	3,176	3,176
Pools & Spas	0	1,939	1,939
Private Water	0	6,250	6,250
Sewage Treatment	0	3,497	3,497
Public Health Infrastructure	0	22,182	22,182
Total Restricted	<u>0</u>	<u>136,371</u>	<u>136,371</u>
Committed to			
Wellness/Severance	7,044	0	7,044
Assigned to			
Other Purposes	19,918	0	19,918
Unassigned			
Public Health Contingency	6,169	0	6,169
General Fund	<u>285,096</u>	<u>0</u>	<u>285,096</u>
Total Unassigned	<u>291,265</u>	<u>0</u>	<u>291,265</u>
Total Fund Balances	<u>\$318,227</u>	<u>\$136,371</u>	<u>\$454,598</u>
12/31/2012			
Restricted for			
Food Service	\$0	\$72,589	\$72,589
Home Parks	0	19,791	19,791
Marina	0	704	704
Pools & Spas	0	2,324	2,324
Private Water	0	6,715	6,715
Sewage Treatment	0	21,399	21,399
Public Health Infrastructure	0	19,542	19,542
Total Restricted	<u>0</u>	<u>143,064</u>	<u>143,064</u>
Committed to			
Wellness/Severance	32,044	0	32,044
Assigned to			
Other Purposes	18,220	0	18,220
Unassigned			
Public Health Contingency	141,169	0	141,169
General Fund	<u>236,520</u>	<u>0</u>	<u>236,520</u>
Total Unassigned	<u>377,689</u>	<u>0</u>	<u>377,689</u>
Total Fund Balances	<u>\$427,953</u>	<u>\$143,064</u>	<u>\$571,017</u>

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

7. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING FUND BALANCES

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which the District was required to implement starting with the fiscal year ended December 31, 2011. This pronouncement does not affect the calculation of the District's fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1D).

As a result of the implementation of GASB Statement No. 54, certain funds previously reported as Special Revenue Funds were reclassified to the General Fund. These reclassifications and the correction had the following effect on beginning fund balances:

	General Fund	Special Revenue Funds
Fund Balance, December 31, 2010	\$ 201,795	\$ 143,612
Fund Reclassifications		
Wellness Fund	7,044	(7,044)
Public Health Contingency	6,169	(6,169)
Restated Fund Balance January 1, 2011	\$ 215,008	\$ 130,399

8. NONCOMPLIANCE

Contrary to Ohio Revised Code 3709.28, the District did not adopt itemized appropriations for 2011. Also, contrary to Ohio Administrative Code 117-2-02, the District did not properly integrate budgetary accounts at the legal level of control into the financial accounting system.

9. CONTINGENT LIABILITIES

The District is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards***

Brown County District Board of Health
Brown County
826 Mt. Orab Pike
Georgetown, Ohio 45121

To the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Brown County District Board of Health, Brown County, (the District) as of and for the years ended December 31, 2012 and 2011 and the related notes to the financial statements, and have issued our report thereon dated May 15, 2013, wherein we noted the District followed accounting and financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, described in Note 1 and implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2012-02 and 2012-03 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 and 2012-02.

Purpose of this Report

This report only describes the scope of our internal control testing and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

May 15, 2013

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Material Noncompliance

Ohio Rev. Code Section 3709.28 establishes budgetary requirements for General Health Districts, which are similar to certain Ohio Rev. Code Chapter 5705 budgetary requirements. On or about the first Monday of April the district must adopt an itemized appropriation measure. The appropriation measure, together with an itemized estimate of revenues to be collected during the next fiscal year, shall be certified to the county budget commission. Subject to estimated resources, the board of health may, by resolution, transfer funds from one appropriation item to another, reduce or increase any item, create new items, and make additional appropriations or reduce the total appropriation. Such appropriation modifications shall be certified to the county budget commission for approval.

For 2011, the District did not adopt the itemized appropriation measure. Furthermore, there were intrafund appropriation amendments made in the accounting records that were not approved by the Board and documented in the Board meeting minutes.

Failure to adopt an itemized appropriation measure may result in the District incurring obligations that exceed their available resources. We recommend that the District adopt itemized appropriations and approved intrafund transfers at Board meetings.

OFFICIALS' RESPONSE: Appropriation resolutions have been done in September in the preceding year. We will be sure to also submit a resolution when the budget is submitted in March. Appropriation amendments will be approved by the secretary to the board. Appropriation measures will be checked to assure that amounts appropriated do not exceed funds available.

FINDING NUMBER 2012-02

Material Noncompliance/Material Weakness

Ohio Admin. Code, § 117-2-02 (C)(1), states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The estimated receipts entered in the accounting system and subsequently reported in the financial statements did not agree with estimated receipts certified by the budget commission on the latest amended certificate. Estimated receipts that were certified varied from those posted by material amounts as follows:

Fund Type	Estimated Receipts Certified by the Budget Commission	Estimated Receipts Posted	Variance
2011			
General Fund	\$484,000	\$479,528	\$(4,472)
Special Revenue Funds	287,307	259,063	(28,244)
2012			
General Fund	448,785	448,689	(96)
Special Revenue Funds	242,035	245,263	3,228

FINDING NUMBER 2012-02 (Continued)

Failure to post the estimated receipts certified by the budget commission into the accounting system resulted in the officials relying on inaccurate information. The officials should be sure that the estimated receipts from the most current amended certificate are entered into the accounting system.

OFFICIALS' RESPONSE: Alternative accounting systems will be reviewed for better compatibility with reporting requirements.

FINDING NUMBER 2012-03

Material Weakness

Sound financial reporting is the responsibility of the Commissioner and Board of Health and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

In the 2012 and 2011 annual financial report filed with the Auditor of State did not include interfund activity. There were advances in both 2012 and 2011. This caused ending cash fund balances to be incorrect for the fiscal years ended December 31, 2012 and 2011. Adjustments were made to the audited financial statements to correct these omissions.

On the 2012 and 2011 annual financial report filed with the Auditor of State, the District did not classify fund balances per GASB 54 guidelines. Fund Balances on the annual financial report were classified as cash and reserve for encumbrances. Restatements were made by the auditors to the January 1, 2011 balances in order to map certain funds to the General Fund in accordance with GASB 54. See note 8. Reclassifications were also made to correctly classify fund balance at December 31, 2012 and 2011.

We recommend that the compiler of the financial statements become familiar with the GASB 54 fund balance classifications, which were new to the 2012 and 2011 audit periods. A resource that may be utilized by the District is the Auditor of State Technical Bulletin 2011-004.

OFFICIALS' RESPONSE: The agency began using new report forms approved by the Auditor of State for 2011/2012 and we inadvertently failed to list the advances. Item will be corrected in future financial reports. GASB 54 guidance will be consulted when compiling financial information for future reports.

**BROWN COUNTY DISTRICT BOARD OF HEALTH
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 3709.28, appropriations exceeded estimated resources	No	Partially Corrected. Verbal comment issued for immaterial violation in the Wellness Fund in 2011. This fund had no receipts or expenditures in 2011.
2010-002	Ohio Admin. Code, § 117-2-02 (C)(1), estimated receipts and appropriations not matching accounting records	No	Partially Corrected. Reissued as finding 2012-02. Appropriations matched accounting records, but estimated receipts did not match accounting records.



Dave Yost • Auditor of State

BROWN COUNTY DISTRICT BOARD OF HEALTH

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2013**